

**ORIGINAL**

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

MAILING ONLINE SERVICE

Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS SECKAR TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T2-1-3  
AND OCA/USPS-T5-4 (B-D, F) REDIRECTED FROM WITNESS PLUNKETT)

The United States Postal Service hereby provides responses of witness Seckar to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T2-1-3, filed on July 24, 1998; and OCA/USPS-T5-4 (b-d, f), filed on July 22, 1998, and redirected from witness Plunkett.

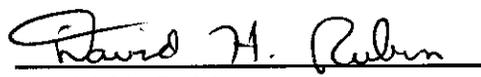
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

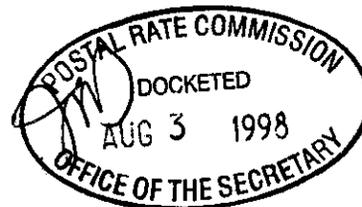
UNITED STATES POSTAL SERVICE

By its attorneys:

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August 3, 1998



**RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T2-1.** Please refer to USPS-T-2, Exhibit A, Table 10.

- a. At lines (6), (20) and (30), please show the derivation of the "Rent per Square Foot" of \$6.
- b. At lines (6), (20) and (30), please explain the assumption of a constant "Rent per Square Foot" of \$6 during the period 1999 to 2003.
- c. At lines (10), (22) and (34), please identify the utilities that constitute the "Utilities Cost per Square Foot."
- d. At lines (10), (22) and (34), please show the derivation of the "Utilities Cost per Square Foot" of \$2.25.
- e. At lines (10), (22) and (34), please explain the assumption of a constant "Utilities Cost per Square Foot" of \$2.25 during the period 1999 to 2003.

**RESPONSE:**

- a. "Rent per Square Foot" is an estimate that was provided over the phone by the Postal Service's Facilities Group. I discussed the rent value and its accuracy with the Facilities Group such that I believe it is reasonable to use. For further reference, please see Docket No. R97-1, USPS-RT-19, p. 20, (Tr. 32/16986), in which witness Kaneer's Table 2b shows an average rental cost of \$5.70 for the middle quintile of postal facilities with post office boxes.
- b. The \$6.00 rent figure is an estimate that is assumed to apply for the entire period 1999 to 2003. Due to the potentially significant geographic variation of the contracted print sites and thus rent per square foot, no assumptions were made to project rent per square foot since the exact locations and thus, change in rent per square foot of the contracted print sites are currently unknown.

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- c. No breakdown of the utilities cost per square foot was provided by the Postal Service's Facilities Group.
- d. "Utilities Cost per Square Foot" is an estimate that was provided over the phone by the USPS Facilities Group. I discussed the utilities value and its accuracy with the Facilities Group such that I believe it is reasonable to use.
- e. The \$2.25 utilities cost is an estimate that is assumed to apply for the entire period 1999 to 2003. Due to the potentially significant geographic variation of the contracted print sites and thus utilities costs, no assumptions were made to project utilities cost per square foot since the exact locations and thus, change in utilities cost per square foot of the contracted print sites are currently unknown.

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**OCA/USPS-T2-2.** Please refer to USPS-T-2, Exhibit A, Table 10.

- a. At lines (3) and (18), please confirm that the DocuTech 6180 and the DocuTech 4890 printers are assumed to require the same square footage. If you do not confirm, please explain.
- b. Please explain the rationale for using the same square footage for two different printers.

**RESPONSE:**

- a. Confirmed.
- b. Since the DocuTech 4890 requires less square footage than the DocuTech 6180, the larger square footage requirements for the DocuTech 6180 were used for both machines to generate a conservative cost.

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**OCA/USPS-T2-3.** Please refer to USPS-T-2, Exhibit A, Table 9.

a. At line (5), for the years 2001, 2002 and 2003, please confirm that the number of DocuTech 6180 printers per site could be greater than 4.68, 6.56 and 7.64, assuming the number of commercial printing sites is less than 25. If you do not confirm, please explain.

b. At line (5), for the years 2001, 2002 and 2003, please confirm that the number of DocuTech 6180 printers per site could be greater than 4.68, 6.56 and 7.64, depending upon the actual demand for Mailing Online volume at a commercial printing site. If you do not confirm, please explain.

**RESPONSE:**

a. Confirmed, but only if one makes the unlikely assumption that the number of print sites can vary without also adjusting the volume projections.

b. Confirmed, but only if one makes the unlikely assumption that volume changes would occur while holding the number of print sites constant.

Please also note the conservatism of rounding the required number of DocuTech 6180s per site for each throughput level to the next highest integer value thus, accounting for volume fluctuations.

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**OCA/USPS-T5-4.**

.....

b. Please provide an estimate of the total expenditures on Mailing Online through the end of FY 1998. Please provide the basis for this estimate and break down the expenditures to the finest possible level of detail.

c. Please confirm that the expenditure estimate requested in part (b) of this interrogatory should be included in any estimate of the incremental costs of Mailing Online. If you do not confirm, please explain the basis for your disagreement.

d. Please provide an estimate of the incremental cost of Mailing Online through the end of FY 1998. Please provide the basis for this estimate and break down the estimate to the finest possible level of detail.

.....

f. Please provide separate estimates of the incremental costs of Mailing Online for fiscal years 1999 and 2000 and for the years 1999 and 2000 as used in your Exhibit B (if different). Please provide the basis for the estimates and break down the estimates to the finest possible level of detail.

**RESPONSE:**

b. Please see USPS-T-2, Exhibit A, Table 14, row (29), as revised July 23, 1998. It is likely that a portion of these costs will be incurred during FY98 and the remainder will be incurred during 1999. The exact proportion that will be incurred in each year is unknown. These costs represent total possible expenditures for continuing development of the Mailing Online system as well as the printing costs incurred during the operations test.

c. Confirmed if you are referring to the time period of FY98. However, as stated in my response to part (b), the exact proportion of costs that will be incurred during FY98 is unknown. Therefore, these costs have been included in the incremental cost estimate for 1999. If the exact amount of

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costs that will be incurred during FY98 were known, then that exact amount would be subtracted from my incremental cost estimate for 1999.

The 1999 incremental costs presented in part (f) thus are really incremental costs for the period 1998 to 1999; almost all of the costs are for 1999, however.

- d. Please see part (c). My testimony does not estimate the incremental cost of Mailing Online for FY98 due to the reasons stated above.
- f. The incremental cost of Mailing Online for 1999 is estimated to be \$65,671,073; and for the year 2000, \$114,409,320. For the basis and detailed breakdown of the estimates, please refer to my testimony, USPS-T-2, Exhibit A, and the attached worksheet.

Attachment to Response to OCA/USPS-T5-4(f)

Incremental Cost Estimate

	Notes	1999	2000
<i>Impression Costs</i>			
(1) B&W, 8.5x11 & 8.5x14	See Table 1, row (8)	\$13,281,327	\$22,764,486
(2) B&W, 11x17	See Table 1, row (16)	\$6,427,276	\$11,061,611
(3) Spot Color, 8.5x11 & 8.5x14	See Table 1, row (24)	\$20,771,937	\$35,865,530
(4) <b>Total Impression Costs</b>	Sum of (1) through (3)	<b>\$40,480,540</b>	<b>\$69,691,626</b>
<i>Insertor Costs</i>			
(5) Letter-Sized	See Table 2, row (5)	\$3,062,222	\$5,297,161
(6) Flat-Sized	See Table 2, row (10)	\$5,531,028	\$9,585,516
(7) <b>Total Insertor Costs</b>	Sum of (5) and (6)	<b>\$8,593,250</b>	<b>\$14,882,676</b>
<i>Transportation Costs</i>			
(8) First-Class Letters	Table 3, row (140) * row (92)	\$42,594	\$73,423
(10) Standard Letters	Table 3, row (142) * row (94)	\$207,925	\$358,421
(11) First-Class Flats	Table 3, row (141) * row (93)	\$11,717	\$20,198
(12) Standard Flats	Table 3, row (143) * row (95)	\$496,104	\$855,185
(13) <b>Total Transportation Costs</b>	Sum of (8) through (12)	<b>\$758,340</b>	<b>\$1,307,227</b>
<i>Paper Costs</i>			
(14) 8.5x11	Table 4, ((45) + (71)) * 8.5x11 unit paper cost. See Table 16.	\$4,762,993	\$8,578,708
(15) 8.5x14	Table 4, ((49) + (75)) * 8.5x14 unit paper cost. See Table 16.	\$580,568	\$1,045,672
(16) 11x17	Table 4, ((53) + (79)) * 11x17 unit paper cost. See Table 16.	\$1,552,851	\$2,796,866
(17) <b>Total Paper Costs</b>	Sum of (14) through (16)	<b>\$6,896,412</b>	<b>\$12,421,246</b>
<i>Envelope Costs</i>			
(18) Letter-Sized	Table 3, ((92) + (94)) * #10 unit envelope cost w/o window, w/ logo. See Table 16.	\$6,820,530	\$12,284,574
(19) Flat-Sized	Table 3, ((93) + (95)) * flat unit envelope cost w/o window, w/o logo. See Table 16.	\$2,122,000	\$3,821,971
(20) <b>Total Envelope Costs</b>	Sum of (18) and (19)	<b>\$8,942,530</b>	<b>\$16,106,544</b>
(21) <b>Total Incremental Cost Estimate</b>	Sum of (4), (7), (13), (17), and (20)	<b>\$65,671,073</b>	<b>\$114,409,320</b>

## DECLARATION

I, Paul G. Seckar, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

Paul G. Seckar

Date: August 3, 1998

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



David H. Rubin

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